

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **June 14, 2005**

AGENDA ITEM NO.: 13

CONSENT:

REGULAR: **X**

CLOSED SESSION:
(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Proposal to Reduce the Common Goods Fee**

RECOMMENDATION: Maintain the Common Goods Fee at the current level of \$5.00 per month per household.

SUMMARY: During the budget deliberations there was a proposal to reduce the Common Goods Fee from \$5.00 per month to a level estimated to exactly cover projected expenses to which the revenues apply in the Solid Waste Management Fund. City Council discussed various options at its May 24, 2005 Work Session and asked staff to bring back several options for their consideration.

The Common Goods Fee was implemented in January 2004 to pay for certain residential and community solid waste management services that had previously been funded by the Solid Waste Management Fund balance. The fee was established as part of the effort to bring the fund onto a solid financial footing and was chosen in lieu of several alternatives including additional support from the General Fund or an increase in the decal/tag fees. Fee revenues are estimated at \$1,159,020 for FY 2005 and will offset costs for refuse collection, overhead, litter and debris pickup, brush and bulk/white goods collection, household hazardous waste management, and recycling. Details are provided on the attached spreadsheets.

When the flat fee was originally considered it was estimated that an amount of \$4.22 per month would cover the projected costs. Nevertheless, Council set the fee at \$5.00 per month. Although some costs have increased, an improved bottom line in the recycling program from corrugated cardboard and the elimination of glass recycling, along with a slightly higher than projected number of households indicates that for Fiscal Year 2005 a flat fee of \$4.16 per month would cover projected expenses in the designated categories. The costs for these services are projected to increase approximately 2.0% for the upcoming 2006 Fiscal Year. The flat fee necessary to cover services would be \$4.39.

A reduction in the flat fee to \$4.39 would save each household \$7.32 per year and would reduce revenues to the Solid Waste Management Fund by \$141,400. An alternative would be to reduce the General Fund support for refuse collection by that amount, in essence providing additional resources for General Fund activities.

As requested by Council during its May 24 work session, the attached spreadsheet shows various options and the resulting fiscal impact. Staff cannot recommend any proposal that does not provide adequate ongoing revenues to cover designated ongoing expenses. This would make option #2 on the spreadsheet unacceptable.

PRIOR ACTION(S): The flat fee was adopted February 11, 2003 and implemented January 2004. April 12, 2005, during budget deliberations, Council directed that this matter be brought to a future work session. At the May 24, 2005 Work Session, Council directed staff to prepare several options for their consideration.

FISCAL IMPACT: As noted above and shown on attached spreadsheet.

CONTACT(S): Kimball Payne, Dave Owen

ATTACHMENT(S): Spreadsheets providing financial data.

REVIEWED BY: lkp

Solid Waste Flat Fee Report

Shown below is the cost of each service and the associated revenue and funding sources.

Residential Cost of Service Analysis (Projected FY 06)					
Service Categories	Cost of Service FY 05	Cost of Service Projected FY 06	Funding	Funding Source	
Refuse Collection	\$1,095,011	\$1,116,911	\$732,529	General Fund	66%
			\$384,382	Flat Fee Revenue	34%
B & C Adm. Cost & Overtime for Utilities	\$65,910	\$65,910	\$65,910	Flat Fee Revenue	100%
Litter & Debris	\$135,041	\$137,742	\$135,041	Flat Fee Revenue	100%
Brush	\$223,391	\$227,859	\$190,697	VDOT Highway Maint.	84%
			\$37,162	Flat Fee Revenue	16%
Bulk/White Goods	\$285,121	\$290,823	\$285,121	Flat Fee Revenue	100%
Household Hazardous Waste	\$18,175	\$18,539	\$18,175	Flat Fee Revenue	100%
Recycling & Disposal of Residential Waste	\$372,692 \$557,323	\$380,146 \$568,469	\$865,000	Tag/Decal sales	91%
			\$83,615	Flat Fee Revenue	9%
Total	\$2,752,664	\$2,806,399	\$732,529	GF Transfers	26%
			\$865,000	Tag/Decal sales	31%
			\$190,697	VDOT Highway Maint.	7%
			\$1,018,173	Flat Fee Revenue	34%

City Council previously voted to implement a Common Goods monthly flat fee of \$5.00 per household per month primarily to pay for the residential services previously funded by the Solid Waste Management Fund Balance. The flat fee was implemented January 2004. Listed below are the revenues currently being generated by the flat fee. Also listed are the projections that were used when implementing the flat fee.

Number of Households		Revenues Projected for FY 2006	Projected Revenues When Program Implemented	Annual Fee Required to Cover Services	Monthly Fee
18,938		\$1,136,280	1,080,000	\$ 52.71	\$4.39
379 (not on City water or sewer)		\$ 22,740 (receiving annual bill of \$60)	30,000	\$ 52.71	\$4.39
TOTALS		\$ 1,159,020	1,110,000	\$ 1,018,173	\$ 4.39

If the Common Goods monthly flat fee is lowered to \$4.00 per month then revenue totaling \$927,216 will be realized resulting in a shortfall of \$37,222 when compared to cost of services.

COMMON GOODS FLAT FEE ANALYSIS

Projected Revenues Generated in FY05	\$	1,159,020.00
Projected Expenses in FY05	\$	964,438.00
Excess Revenue from Flat Fee	=	\$ 194,582.00

Option #1		
Revenues Needed to Cover FY06 Expenses	\$	1,018,173.00
Yearly Flat Fee	\$	52.71
Monthly Flat Fee	\$	4.39

Option #2		
Revenues Needed to Cover FY06 Expenses	\$	1,018,173.00
Use Excess Revenues from FY05	=	\$ 194,582.00
Net Revenue Needed to Cover FY06 Expenses	=	\$ 823,591.00
Yearly Flat Fee	=	\$ 42.64
Monthly Flat Fee	=	\$ 3.55

Option #3		
General Fund (GF) Yearly Transfer for Refuse Collection	=	\$ 732,529.00
Net Revenue Needed to Cover FY06 Expenses	=	\$ 1,018,173.00
Revenues Needed to Eliminate GF Transfer + FY06 Expenses	=	\$ 1,750,702.00
Yearly Flat Fee	=	\$ 90.63
Monthly Flat Fee	=	\$ 7.55

Flat Fee Rates	Revenues Generated by Flat Fee		TOTAL REVENUE GENERATED	SURPLUS / DEFICIT WHEN COMPARED TO FY06 EXPENSES (\$1,018,173)
	With Water and Sewer 18,938	Without Water and Sewer 379		
- \$5.00 per month (\$60.00/year)	\$ 1,136,280.00	\$ 22,740.00	\$ 1,159,020.00	\$ 140,847.00
- \$4.75 per month (\$57.00/year)	\$ 1,079,466.00	\$ 21,603.00	\$ 1,101,069.00	\$ 82,896.00
- \$4.50 per month (\$54.00/year)	\$ 1,022,652.00	\$ 20,466.00	\$ 1,043,118.00	\$ 24,945.00
- \$4.39 per month (\$52.68/year)	\$ 997,653.84	\$ 19,965.72	\$ 1,017,619.56	\$ (553.44)
- \$4.25 per month (\$51.00/year)	\$ 965,838.00	\$ 19,329.00	\$ 985,167.00	\$ (33,006.00)
- \$4.00 per month (\$48.00/year)	\$ 909,024.00	\$ 18,192.00	\$ 927,216.00	\$ (90,957.00)
- \$3.75 per month (\$45.00/year)	\$ 852,210.00	\$ 17,055.00	\$ 869,265.00	\$ (148,908.00)
- \$3.55 per month (\$42.60/year)	\$ 806,758.80	\$ 16,145.40	\$ 822,904.20	\$ (195,268.80)